

Background from Governor's Office

Where We Stand

Currently, Michigan faces approximately a \$337 million shortfall in the general fund and a \$62 million shortfall in the School Aid Fund. That brings the state to a combined shortfall of \$399 million for the current fiscal year.

Based on what we believe will be announced at Friday's Revenue Estimating Conference, we estimate that in addition to the shortfalls cited above, the general fund will be short by an additional \$55 million and the School Aid Fund by \$155 million.

This means that (based on estimates and additional spending pressures) the 2007 budget will be short a total of over \$700 million in revenue for the fiscal year that ends on September 30.

Senate Announcement

The Senate Majority Leader issued a statement late yesterday afternoon announcing an agreement to balance the 2007 budget. The statement also claimed an agreement was reached to reduce the 2007 School Aid Fund deficit to a proration level of about \$36 per student. Neither of these statements is accurate.

The figures cited by the Senate Majority Leader address only the general fund shortfall as it stands right now – the \$399 million mentioned above. It does not take into consideration the additional deficit that will be determined at Friday's Revenue Estimating Conference. Therefore, the Majority Leader's statement – even if accurate – would solve only a portion of the budget shortfall.

The \$36 per student cut referenced by the Majority Leader takes into account only the shortfall as it stands today. Once the Revenue Estimating Conference concludes, that shortfall will grow to approximately \$122 per student. Proration can be reduced or prevented only by new revenue or cuts over and above what Republicans have proposed.

The Governor's View

Governor Granholm believes we must take a sensible approach to balancing the budget. In February, she proposed a comprehensive budget that included a mix of cuts, reforms and new revenue to protect the programs that will make Michigan competitive.

The governor does not support the drastic cuts to education, health care, and public safety Senate Republicans have proposed in the past.